

Message Text

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PAGE 01 LISBON 03395 081751Z
ACTION TRSE-00

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 ICA-11 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 ABF-01 PA-01 /065 W
-----043999 081806Z /50

R 081546Z MAY 78
FM AMEMBASSY LISBON
TO SECSTATE WASHDC 5632

LIMITED OFFICIAL USE LISBON 3395

DEPT PASS TREASURY FOR SYVRUD

E.O. 11652: N/A
TAGS: EFIN PO
SUBJECT: GOP IMPLEMENTATION OF IMF AGREEMENT

REF: LISBON 3360

1. PRESS HAS NOT PRINTED MAY 5 GOVERNMENT COMMUNIQUE ANNOUNCING
ESCUDO DEVALUATION, BUT DESCRIBED ITS MAIN POINTS AS FOLLOWS:
-- INITIAL ESCUDO DEVALUATION IS 6.34 PERCENT IN RELATION
TO U.S. DOLLAR AND 6.5 PERCENT AGAINST EXCHANGE BASKET OF KEY
CURRENCIES. FOLLOWING ARE KEY CLOSING BUY RATES FOR MAY 4 AND
5. PERCENTAGE DIFFERENCE CALCULATED ON ESCUDO MOVEMENTS.

BUY RATES

	MAY 4	MAY 5	PERCENTAGE
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DIFFERENCE

POUND	77.067	82.129	6.57
DOLLAR	42.162	44.834	6.34
GERMAN MARK(100)	2033.74	2165.10	6.46
PESETA(100)	52.027	55.405	6.49
SWISSFRANC(100)	2147.12	2306.57	6.93
FRENCHFRANC(100)	915.79	974.07	6.36

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-- BANK OF PORTUGAL WILL CONTINUE TO INTERVENE IN
EXCHANGE MARKET TO MAINTAIN "CRAWLING PEG" DESIGNED TO
PRODUCE AVERAGE MONTHLY DEVALUATION NOT TO EXCEED 1.25
PERCENT. (FYI: MONTHLY AVERAGE ESCUDO DECLINE SINCE AUGUST
1977 HAD BEEN 1.0 PERCENT. PRESS HAD BEEN SPECULATING
THAT CRAWL RATE WOULD ACCELERATE TO 1.5 PERCENT PER MONTH
ONCE IMF AGREEMENT WAS ANNOUNCED.)

-- BANK OF PORTUGAL WILL STOP SELLING FOREIGN EXCHANGE
FUTURES CONTRACTS.

2. COMMENT: ESCUDO/DOLLAR BUY RATE MOVED AGAIN ON MON-
DAY, MAY 8, CLOSING AT 45.038. GOP IS MOVING RAPIDLY TO
IMPLEMENT TERMS OF IMF AGREEMENT. BANK OF PORTUGAL WILL
ISSUE PRESS RELEASE AFTERNOON OF MAY 8 ANNOUNCING NEW
HIGHER INTEREST RATE STRUCTURE. END COMMENT.

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Message Attributes

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